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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001867

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TAGS: [PREL](#) [PGOV](#) [CH](#) [TW](#)

SUBJECT: CROSS-STRAIT CONTACTS AND TAIWAN'S POLITICS

REF: A. TAIPEI 1437

[1](#)B. TAIPEI 1684

[1](#)C. TAIPEI 1724

[1](#)D. TAIPEI 1709

Classified By: AIT Director Douglas Paal, Reason: 1.4 (B/D)

[1](#)1. (C) Summary: President Chen Shui-bian had hoped to use passage of the Anti-Secession Law to convince the Taiwan public of Beijing's unalterable animosity and to delay discussion of any cross-Straits initiatives until after the May 14 National Assembly elections or perhaps much longer. While Chen administration officials said they planned to re-engage with Beijing early in the summer, likely using PFP Chairman James Soong as a conduit, the fundamentalist wing of Chen's DPP appeared to have gained control of the short-term cross-Straits agenda. Beijing's succession of invitations for KMT leaders to visit the Mainland disrupted the DPP's plans. Chen reacted emotionally to this development, accusing Beijing of interfering in domestic politics and charging opposition leaders with selling out Taiwan. Ignoring these attacks, the KMT summarily rejected Chen's demand that parties seek government approval before engaging Beijing and KMT chairman Lien Chan appeared to be in control of the agenda, at least momentarily. The KMT's control loosened somewhat when Beijing also invited his opposition rival James Soong, who let it be known that he would serve, at least implicitly, as a conduit between President Chen and Beijing on the resumption of cross-Straits links. The net result has been to diminish the KMT's ability to claim exclusive credit for any constructive cross-Straits steps, while forcing President Chen to rely on his unreliable but relatively moderate ally, Soong. At the same time, Green fundamentalists, momentarily ascendant, find themselves again losing control of both the domestic and cross-Straits agendas. Perhaps the most uncertain factor is Beijing. Have they decided to deal with Soong because they know they need to find a modus vivendi with President Chen or have they simply made too many overtures to competing Taiwanese politicians and unwittingly undermined their own efforts to manipulate Taiwan domestic politics?

DPP Out Maneuvered?

[1](#)2. (C) President Chen Shui-bian and his government reacted emotionally to the historic visit of KMT Vice Chairman P.K. Chiang to Beijing in the immediate aftermath of PRC enactment of the Anti-Secession Law (ASL). As late as March 26, Democratic Progressive Party (DPP) officials were congratulating themselves on their successful handling of the ASL, which appeared to have handed the government full control over the pace and direction of cross-Straits policy. The government planned to freeze cross-Straits contacts, at least through the May 14 National Assembly election, to maximize international sympathy and domestic anger over the ASL. These plans were immediately overturned by Beijing's decision to reach out to the KMT and key Taiwan interest groups such as farmers.

[1](#)3. (C) The DPP leadership's fear that the KMT and Beijing had succeeded in sabotaging the "success" of Taiwan's handling of the ASL and Chen's new alliance with People First Party (PFP) Chairman Soong provoked an over-reaction within the ruling party. On the cross-Straits front, senior officials warned ominously of a return to the destabilizing cycle of the last four years (Ref A) while on the domestic front, the government endorsed, if it did not initiate, legal action against P.K. Chiang for treason and other charges (Ref B).

[1](#)4. (C) The KMT responded to these heavy-handed actions by sabotaging LY operations and gloating publicly over its success in depriving the DPP and its PFP allies of control over the cross-Straits agenda. While moderates like P.K. Chiang have portrayed the KMT overtures as supportive of the government's policies (Ref C), hard-liners like KMT Mainland Affairs Director Chang Jung-kung boasted in public and private that the KMT would reorient Taiwan from the U.S. and Japan towards China (Ref D). In an April 20 meeting with the AIT Director (Septel), Lien offered an explanation for his actions that tracked with the moderate Chiang's rather than

the confrontational Chang's. However, Lien is likely motivated by a combination of factors, including building his own personal historical legacy, undermining his erstwhile "Blue" partner Soong, revenge against his rival Chen Shui-bian, and pressuring the government to adjust its cross-Strait policy orientation.
A PFP Counter

15. (C) Beijing's sudden April 18 invitation to James Soong has changed the dynamics, dampening KMT exuberance and calming DPP and PFP fears. While the government would prefer that there not be an opposition race to Beijing, the Chen administration has chosen to view the Soong invitation as a tacit acknowledgment on the PRC's part that its alleged KMT-only strategy had backfired. Whether or not this analysis is correct -- we remain highly skeptical -- this assessment may reduce the volume of criticism over Lien's upcoming visit and prospects for even stronger counter-measures.

16. (C) The Soong invitation may also give the government more political cover to resume the moderate policy course it had articulated before the PRC enacted the ASL. At the very least, it means that Chen has little choice but to work with Soong, even at the cost of marginalizing cross-Strait hard-liners who had gained an upper hand from the ASL and subsequent DPP-KMT frictions. Opinion polls suggest that most people in Taiwan have either tuned out on recent partisan mudslinging or have reacted to the debate along predictable party lines. However, Chen administration officials acknowledge in private that their own traditional business and moderate supporters expect the government to take substantive steps to facilitate economic interactions with the Mainland. Several have told the Director privately about these efforts. Having endured nearly two years of cross-Strait deadlock in the lead-up to the 2004 elections, their patience for further partisan gridlock is extremely limited.

Special Budget at Risk?

17. (C) Even if cross-Strait policy can once more begin to focus on developing constructive linkages, there is a danger that the Special Defense Procurement Budget may fall victim to the latest round of partisan posturing over cross-Strait policy. Chen administration officials warn (unconvincingly) that Lien and/or Soong will use either an explicit trade-off involving a PRC missile pull-back in exchange for blocking the Special Budget, or make vague references to peaceful resolution during their upcoming Beijing meetings will undermine support in the LY for passage. We are equally concerned that the poisonous atmosphere created by the debate over Lien's visit will make rational deliberations over the Special Budget more difficult. While working level officials in the LY Defense Committee are close to a compromise deal on the Special Budget, it will require a green light from the top of the two opposition parties to seal the deal.

18. (C) Recent public comments by senior State Department officials have helped remind players on all sides of the debate that cross-Strait interactions do not have to be a zero-sum game. It will be useful to reinforce this message, in public and private, in the immediate aftermath of the Lien/Soong visits. We continue to see late May as the most likely window for LY action on the Special Budget. With the Lien/Soong visits likely to conclude in early May, there will be little time to repair the damage wrought by the past month of partisan infighting.
PAAL